

State of California - Board of Corrections Facilities Standards and Operations Division

**Audit Procedures
October 1999**



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Sacramento, California 95814-0185
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INTRODUCTION

Purpose of the Audit Guide

The Board of Corrections (Board), Facilities Standards and Operations Division (FSOD), Mentally Ill Offender Crime Reduction Grant, Audit Guide (revised October 1999) is designed to assist the county auditor or independent auditor hired by the county to perform the final audit of the county Mentally Ill Offender Crime Reduction Grant (MIOCRG) contract. It offers general insight into the nature and scope of the audit, provides guidelines for the audit report and financial statements, and identifies the minimum audit and reporting requirements necessary to comply with the Board audit requirements. For the purpose of this audit guide, the term “financial statement” refers to the statement of grant revenue and expenditures. This document is not intended to be either a complete manual of audit procedures or a substitute for the auditor's judgment.

Amendments to the Manual

Changes to this manual will be needed as experience suggests ways to improve accountability or when changes in requirements and regulations require procedural updates. All users of this manual are encouraged to suggest improvements, and all questions or comments should be addressed to the Board of Corrections, FSOD, 600 Bercut Drive, Sacramento, California 95814-0185, (916) 445-5073.

Arrangement for Audit

Within 120 calendar days of the contract expiration date, the county must obtain and submit a final audit to the Board. Extensions of the 120-day deadline should be requested in writing prior to the expiration of the contract. When the county is making its audit arrangements, advanced planning should be used to ensure the audit is started at project completion and completed within the required time frame. The county should also allow time for its response to any findings and audit recommendations before the report is sent to the Board.

Counties also have the option of meeting audit requirements through a single county audit. While permissible, a single audit must address all state grant-specific requirements and be conducted within the required time frame for the grant program (the final audit must be submitted within 120 calendar days of the contract expiration date). Advance approval is required by the Board for a single audit.

The counties are responsible for preparing and providing financial information to be included in the audit report and must maintain adequate accounting records for that purpose. These records must be maintained in accordance with Generally Accepted Accounting Principles as modified for California Counties (see Accounting Standards and Procedures for Counties, California State Controller, Division of Local Government Fiscal Affairs).

The counties should include the following provisions in their contracts for outside audits:

- The Board, the Department of General Services, the Bureau of State Audits, or their designated representatives shall be granted access to audit working papers prepared by the auditor and shall be retained for a minimum of three (3) years from the date of the audit report.

Additional provisions should include:

- The period for which financial statements are to be examined;
- The purpose of the examination;
- The scope of the examination;
- Reference that the audit will be conducted and distributed in accordance with the Procedures for Audits of Mentally Ill Offender Crime Reduction Grant Contracts issued by the Board; and
- The auditor's estimated cost of the audit.

Audit Objectives

The general objectives of each audit are to determine whether:

- The financial statements are presented fairly in accordance with generally accepted accounting principles;
- There is effective control over and proper accounting for: revenues, expenditures, assets, and liabilities; and
- State funds are being expended in accordance with the terms of the grant and those provisions of law or regulations that could have a material effect on the financial statements or on the grant being tested.

Background

The Legislature established the Mentally Ill Offender Crime Reduction Grant Program to encourage and support the implementation of locally developed strategies for dealing with mentally ill offenders. Senate Bill 1485 (Chapter 501, Statutes of 1998) defined the program's goals and requirements. SB 2108 (Chapter 502, Statutes of 1998) provided \$27 million dollars to the State Board of Corrections (BOC) to implement and administer the program. On June 29, 1999 the Governor signed the FY 1999/2000 State Budget Act, Senate Bill 160 (Chapter 50, Statutes of 1999), which provided an additional \$27 million dollars for projects established by priority on May 20, 1999 by the Board of Corrections.

The goals of this program are to reduce the rate of crime, jail crowding and criminal justice costs associated with mentally ill offenders. The program provides planning and demonstration grants to counties to create or expand a cost-effective continuum of responses (including prevention, intervention and incarceration) for mentally ill offenders.

Distribution of Audit Reports

The audit report should be addressed to the board of supervisors of the respective county. The final report should incorporate the county's response and plans for corrective action to any auditor findings and recommendations. Four copies of the report are to be filed no later than 120 days after completion of the project to the Board of Corrections, FSOD, 600 Bercut Drive, Sacramento, California 95814.

Review Of Audit Reports

The Board has the responsibility of reviewing the audit report to determine whether the report is in conformance with the reporting provisions of the MIOCRG Audit Guide. Conformance problems are judged for materiality in relation to the audit report being reviewed. Reports with major reporting problems or with a significant number of minor problems will be rejected.

After review of each audit report, the Board will mail written notification of the review results to the county and to the auditor. For reports which are not accepted, the notification letters will include a brief description of each deficiency. The auditor is required to make the necessary corrections and submit the revisions promptly.

The Board will assist in all efforts to correct report deficiencies so that an acceptable report is filed. Auditors or counties are encouraged to contact the Board by telephone if they have any questions.

Retention of Audit Working Papers

The audits are subject to review by the Board, the Department of General Services, the Bureau of State Audits, or their designated representative. Working papers and reports shall be retained for a minimum of three (3) years from completion of the audit report, unless the auditor is notified in writing by the Board of the need to extend the retention period. The audit working papers shall be made available to Board staff or their designated representative upon request.

AUDITING REQUIREMENTS

Standards

Each audit shall consist of an examination of all state grant funds as well as all matching funds. The audit shall be performed in accordance with generally accepted auditing standards, as promulgated by the American Institute of Certified Public Accountants (AICPA), generally accepted governmental auditing standards, as promulgated by the Comptroller General of the United States, and the standards issued by the Board. The AICPA's Statements on Auditing Standards (SAS) No. 74, "Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance", provides further information and guidance when auditing a governmental entity's financial statements and determining compliance with laws, regulations, and contract requirements.

Compliance

A review is to be made of compliance with applicable laws, regulations, and contract requirements. The auditor should obtain an understanding of the possible financial statement effects of laws, regulations, and contract requirements that are generally recognized by auditors to have a direct and material effect on the determination of amounts in a governmental entity's financial statements. The auditor should also assess whether county management has identified laws, regulations, and contract requirements that have a direct and material effect on the determination of amounts in the governmental entity's financial statements. The major compliance features of the MIOCRG contract may be found in the Compliance Requirements section of this MIOCRG Audit Guide. The auditor should be aware that any finding related to compliance requirements might affect the auditor's opinion report on the financial statement.

Internal Control

In conjunction with each financial and compliance audit of a county's MIOCRG contract, the auditor shall conduct a study and evaluation of the county's system of internal accounting control as it relates to the grant and the systems established to ensure compliance with laws and regulations affecting receipts and expenditures. An entity's internal control structure consists of the following elements:

- Control environment;
- Risk assessment;
- Control activities;
- Information and communication; and
- Monitoring.

The auditor should obtain a sufficient understanding of each of the above elements to plan the audit by performing procedures to understand the design of policies and procedures relevant to audit planning and whether they are in operation. The audit shall include such testing as is needed to generate the auditor's reports on internal control and compliance with laws, regulations, and contract requirements. If an internal control represents a significant deficiency in the design or operation of the internal control structure, it should be a reportable item.

Testing

A representative number of charges shall be tested. The number and extent of items tested should be sufficient to express an opinion on the financial statements and be representative of all material cost categories in the county's contract. The test is to determine whether the charges:

- Conformed to any limitations or exclusions in the award of state funds;
- Included only eligible charges and did not include costs properly chargeable to other programs or accounts;
- Recorded properly (i.e., correct amount, date), supported by source documentation, and approved in advance if they involved a change order subject to prior approval in accordance with the Board Mentally Ill Offender Crime Reduction Grant Contract Administration Policy and Procedures Manual and/or the grant contract.

Notes to Financial Statements

The notes to the financial statements shall include all notes that are essential to assure a fair presentation and adequate disclosure. The following list is not meant to be all inclusive and not all of these will apply to any one audit:

- Description of the grant project and reporting entity;
- Summary of significant accounting policies;
- Litigation;
- Grant amendments;
- Expenditures;
- Matching fund requirements;
- Ineligible project costs
- Interest earned (If interest is earned on grant funds, the interest shall be used for eligible grant activities or returned to the Board); and
- Other financing arrangements.

Findings and Recommendations

The findings and recommendations will include matters dealing with the internal control structure, compliance, and supplemental information. Each finding shall be explained in sufficient detail to enable the reader to understand both the condition (showing the cause and effect) and the criteria of the weakness or condition of noncompliance. The recommendation shall relate to the specific causes of the finding.

A corrective action plan for each finding and a recommendation shall be prepared by the county and submitted as part of the audit report. The corrective action plan must describe the specific actions planned or taken to correct the problem noted by the auditor. General comments will not be considered adequate.

INTERNAL CONTROL REQUIREMENTS

Audits conducted in accordance with generally accepted Government Auditing Standards (GAS), as promulgated by the Comptroller General of the United States in Government Auditing Standards (1994 revision), are required to report on the internal control structure and the assessment of control risk made as part of a financial statement audit or a financial-related audit. Generally Accepted Auditing Standards (GAAS) requires the auditor to obtain an understanding of the internal control structure that is sufficient to plan the audit and to assess control risk for the assertions embodied in the financial statements. In the audit of a governmental entity, this understanding includes knowledge about the design of internal control structure policies and procedures relevant to financial statement assertions affected by compliance with laws and

regulations that have a direct and material effect on the determination of financial statement amounts and whether those policies and procedures have been placed in operation.

The auditor's report on internal control structure shall include as a minimum:

- The scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk; and
- The reportable conditions, including the identification of material weaknesses, identified as a result of the auditor's work in understanding and assessing the control risk.

While GAAS only requires communication (oral or written) of weaknesses that are reportable conditions, GAS requires a written description of any reportable conditions noted, including the identification of those that are considered to be material weaknesses. Any non-reportable conditions in an entity's internal control structure not included in the report should be separately communicated to the audited entity in writing. When such control structure conditions are reported in a management letter, this should be referred to in the report on internal controls. The Board reserves the right to request copies of management letters.

COMPLIANCE REQUIREMENTS

GAAS requires the auditor to design the audit to provide reasonable assurance that the financial statements are free of material misstatements resulting from violations of laws and regulations that have a direct and material effect on the determination of financial statement amounts. Audits conducted in accordance with GAS, as promulgated by the Comptroller General of the United States in Government Auditing Standards (1994 revision), require a written report on the auditor's tests of compliance with such applicable laws and regulations. This report should contain a statement of positive assurance on those items which were tested for compliance and a statement of negative assurance on those items not tested.

Positive assurance consists of a statement by the auditors that the tested items were in compliance with applicable laws and regulations. Negative assurance is a statement that nothing came to the auditor's attention as a result of specified procedures that caused the auditor to believe the untested items were not in compliance with applicable laws and regulations.

All material instances of noncompliance related to the financial statements or the program being audited shall be reported. Other nonmaterial instances of noncompliance need not be disclosed in the compliance report but should be reported to the audited entity in writing. When such instances of noncompliance are reported in a management letter, this shall be referred to in the report on compliance. The Board reserves the right to request copies of management letters.

The county Mentally Ill Offender Crime Reduction Grant contract has specific compliance requirements. Requirements specific to the MIOCRG audit should be tested for compliance. The audit requirements pertaining to the grant contract are presented in the following section.

Adherence to Minimum Standards for Mentally Ill Offender Crime Reduction Grant Program

Compliance Requirements

Projects must comply with all statutory and Board contractual requirements identified for the MIOCRG Program.

Criteria

Sections 6045 - 6046 of the California Penal Code and the Board of Corrections' Mentally Ill Offender Crime Reduction Grant contract, and Contract Administration Policies and Procedures Manual, revised October 1999.

Submittal of Invoices

Compliance Requirements

Invoices are to be submitted on a quarterly basis on Board form MIOCRG004. The invoice must reflect matching fund expenditures as well as the total program expenses incurred during the reporting quarter, invoices previously submitted, and payments received from the Board for reimbursement. Expenditures for the MIOCRG Program must be for liquidating legally incurred project obligations and be consistent with the financial documents contained in the Board contract.

During the grant period, financial invoices are to be submitted within 45 calendar days after the end of each fiscal quarter. The due dates for the invoices are no later than:

Reporting Period	Due Date
July 1, 1999 – September 30, 1999	November 15, 1999
October 1, 1999 – December 31, 1999	February 15, 2000
January 1, 2000 – March 31, 2000	May 15, 2000
April 1, 2000 – June 30, 2000	August 15, 2000
July 1, 2000 – September 31, 2000	November 15, 2000
October 1, 2000 – December 31, 2000	February 15, 2001
January 1, 2001 – March 31, 2001	May 15, 2001
April 1, 2001 – June 30, 2001	August 15, 2001
July 1, 2001 – September 30, 2001	November 15, 2001
October 1, 2001 – December 31, 2001	February 15, 2002
January 1, 2002 – March 31, 2002	May 15, 2002
April 1, 2002 – June 30, 2002	August 15, 2002
July 1, 2002 – September 30, 2002	November 15, 2002
October 1, 2002 – December 31, 2002	February 15, 2003
January 1, 2003 – March 31, 2003	May 15, 2003
April 1, 2003 – June 30, 2003	August 15, 2003

Invoice reimbursement is restricted to eligible program costs as stated in the contract and the Mentally Ill Offender Crime Reduction Grant Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Failure to submit a financial invoice in a timely manner may result in payments being withheld or denied. Persistent submittal of late or inaccurate invoices may result in the withholding of payments.

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction Grant contract and Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Budget/Program Modifications

Compliance Requirements

No substantial change or modification in the project will be permitted without prior written approval from the Board. Substantial changes are those which affect the design or scope of the project, compliance with the agreed-upon program evaluation component, individual budget line item changes over 10 percent (10%) of the amounts indicated for the individual line items contained in Exhibit B as the "Four Year Budget," and other significant program delivery components addressed in the project application and as specifically identified in Exhibit B. Substantial modification requests shall be submitted to the Board upon approval of the Project Manager. Budget/Program Modification requests must be submitted on Board form MIOCRG002.

Minor changes, such as a change in personnel, dates and times of service delivery, and budget line item changes up to 10 percent (10%) of the individual line items identified in Exhibit B as the "Four Year Budget," may be executed by the county without prior approval from the Board.

Under no circumstances will budget line item changes be authorized which would cause the project to exceed the amount of the grant award identified in the State Standard Agreement. Further, in no event shall line item changes be made or authorized for the Administrative Overhead line item which would result in that line item exceeding the 10 percent (10%) of the grant maximum.

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction Grant contract and Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Semi-Annual Progress Reports

Compliance Requirements

The Grantee agrees to submit progress reports to the Board on a semi-annual basis. Progress reports must contain all the required information and be submitted on Board form MIOCRG005. The reports must include, but is not limited to, a review of progress on all programs in the grantee project, the number of individuals served in each program, major and minor project modifications during the reporting period, specific statistical data collected during the reporting period, invoices submitted, and payment received from the Board.

The Grantee is required to submit semi-annual progress reports to the Board on the following intervals:

Reporting Period	Due Date
July 1, 1999 – December 31, 1999	March 15, 2000
January 1, 2000 – June 30, 2000	September 15, 2000
July 1, 2000 – December 31, 2000	March 15, 2001
January 1, 2001 – June 30, 2001	September 15, 2001
July 1, 2001 – December 31, 2001	March 15, 2002
January 1, 2002 – June 30, 2002	September, 2002
July 1, 2001 - December 31, 2002	March 15, 2003

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction Grant contract and Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Final Project Summary Report

Compliance Requirements

The Final Project Summary Report must be received by the Board within 90 calendar days of the contract ending date. BOC form MIOCRG006 must be completed in full and signed by the appropriate county officials.

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction Grant contract and Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Matching Funds

Compliance Requirements

Counties must provide cash or in-kind matching funds as identified in Exhibit B of the Standard Agreement of at least 25 percent of the grant funds awarded. Matching funds cannot be derived from the State of California General Fund.

Criteria

Senate Bill 1485 Chapter 501, Statutes of 1998. Board of Corrections' Mentally Ill Offender Crime Reduction Grant contract, and Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Eligible Project Costs

The following costs are eligible for reimbursement or can be claimed as match:

1. Salaries and benefits of county employees or public or private contract employees directly involved in the delivery of services associated with the project;
2. Services and supplies necessary to deliver services directly associated with the project;
3. In- state travel for county employees, volunteers, and student interns, in accordance with county travel policy and necessary for the success of the project;
4. Professional or consultant services, including services provided by community-based organizations, required audits (match only), and other charges necessary for the delivery of services directly associated with the project;
5. Fixed assets, up to \$1,000 per item, that are necessary for the delivery of services directly associated with the project;
6. Lease payments for equipment, including vehicles, office space, automation and reprographic equipment, and other items necessary for the delivery of services directly associated with the project; and
7. Operational overhead, indirect and administrative costs necessary for the success of the project up to a maximum of 10 percent (10%) of the total grant award. Counties using grant funds for administrative overhead must maintain documentation supporting charges to the grant for this purpose. Board staff may review the documentation during site and monitoring visits.

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction grant application instructions dated November 16, 1998, Board of Corrections' Mentally Ill Offender Crime Reduction Grant contract, and Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Ineligible Project Costs

Compliance Requirements

The following is a list of costs not allowed by the grant;

1. Site acquisition and/or construction costs;
2. Fixed assets, including vehicles, computer equipment, furniture, reprographic equipment, and other items over \$1,000 per item unless a written declaration is made by the Project Manager and approved in writing by the Board that the equipment to be purchased meets the following criteria:
 - a) Is to be used for services directly associated with the project;
 - b) Is essential to the success of the project;
 - c) That lease and rental options of the fixed assets have been thoroughly investigated and that purchasing the equipment is less expensive than leasing or renting the equipment for the Four-year grant period; and
 - d) That title to any equipment purchased with state funds will vest in the state and that the equipment will be returned to the state at the end of the grant, if requested by the Board.

3. Supplanting of existing programs, projects or personnel;
4. Personal injury compensation or damages arising out of or connected with the project, whether determined by adjudication, arbitration, negotiation, or otherwise;
5. Fines and penalties due to a violation of or failure to comply with federal, state, or local laws and ordinances;
6. Any costs outside the scope of the approved project;
7. Interest on bonds or any other form of indebtedness required to finance project costs;
8. All costs incurred in violation of the terms, provisions, conditions, or commitments of this contract;
9. All costs arising out of or attributable to grantee's malfeasance, misfeasance, mismanagement, or negligence;
10. All costs arising out of or connected with contractor claims against the grantee or those persons for whom the grantee may be vicariously liable including, but not limited to, any and all costs related to the defense or settlement of such claims;
11. Criminal justice activities that are not directly related to the approved project;
12. The use of grant funds to "buy-out" unused sick leave, vacation/administrative leave time not accrued during the grant period. Grant funds may only be used to "buy-out" any period of time an employee was assigned to the MIOCRG program and paid with grant funds; and
13. Use of grant funds for out-of-state travel and per diem.

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction grant application instructions dated November 16, 1998, Board of Corrections' Mentally Ill Offender Crime Reduction Grant contract, and Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Audits

Compliance Requirements

Counties are required to prepare and submit a final audit within 120 calendar days of completion of the project. The audit shall be prepared in accordance with GAAS, GAS, and under the direction of a certified public accountant or an independent county internal auditor satisfactory to the Board. If the county internal auditor performs the audit, the auditor must be organizationally independent from the county's accounting and project management functions.

1. In addition to the final audit, the Board may require a prepayment audit prior to the deposit of grant funds into a separate account to ensure that the county's accounting system meets generally accepted accounting principles.

2. Also in addition to the final audit, the Board reserves the right to call for an audit at any time between the execution of the grant contract and the completion or termination of the project. The state may audit all of a county's accounting records that relate to the administration of the grant funds. The state will recover any improper expenditures disclosed in such audits through withholding future payments and/or repayment by the county at the discretion of the Board. Any grant funds so remitted to the Board shall include interest equal to the rate of the State Pooled Money Investment Account.

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction Grant contract, and Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Retention of Audit Records

Compliance Requirements

Work papers and reports shall be retained for a minimum of three (3) years from the date of the audit report unless the auditor is notified in writing by the Board of the need to extend the retention period.

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction Grant Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Audit Scope

Compliance Requirements

Audits must include, at a minimum, an examination of: the systems of internal control; systems established to ensure compliance with laws and regulations affecting the expenditure of state funds; financial transactions and accounts; and the county's process for the submission of subcontractor billings as well as billings the subcontractor has submitted to the county for performance of project tasks. These examinations are to determine whether:

1. There is effective control over and proper accounting for expenditures, assets, and liabilities,
2. The periodic financial statements are fairly stated in all material aspects;
3. State funds and county hard and /or soft match funds were expended in accordance with the terms and scope of the contract and those provisions of state law and regulations that could have a material affect on the financial statements;
4. State and/or matching funds were expended in accordance with the terms of project related contracts between the county and third parties, and that the term and scope of those third-party contracts complied with provisions of the county's contract with the Board;

5. A representative number of charges to state funds and to county match shall be tested. The test shall be representative of all cost categories in the county's contract. The test is to determine whether the charges meet the following:
 - Conformed to any limitations or exclusions in the award of state funds.
 - Included only eligible charges and did not include costs properly chargeable to other programs or accounts.
 - Recorded properly (i.e., correct amount, date) and supported by source documentation.
 - Approved in advance, if they involved a modification subject to prior approval in accordance with Exhibit A, Article 12 of the MIOCRG contract Standard Conditions; and
6. The audit shall also identify any project-related claims by the county or against the county pending at the time the audit is conducted.

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction Grant Contract Administration Policies and Procedures Manual for Counties, revised October 1999.

Audit Certification

Compliance Requirements

The audit report to the Board shall contain, at a minimum, the following:

1. A description of the statements examined and the period covered; and
2. An opinion as to whether all audit scope criteria have been met satisfactorily by the county. If an unqualified opinion cannot be expressed, state the nature of the qualification, reservation, or exception.

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction Grant Policies and Procedures Manual for Counties, revised October 1999.

Records

Compliance Requirements

The county is required to establish an official file for the project. The file shall contain adequate documentation of all actions in accordance with generally accepted accounting principles.

The county must establish separate accounting records for receipts, deposits, and disbursements of all grant funds.

The county is also required to maintain books, records, documents, and other evidence sufficient to reflect properly the amount, receipt, and disposition of all project funds, including Board grant funds and any

matching funds of the county, and the total cost of the project. Supporting documentation for matching funds, goods or services shall, at a minimum, include the source of the match, the basis upon which the value of the match was calculated, and when the matching funds, goods or services were provided. Generally accepted government accounting principles and adequate supporting documentation shall be maintained in such detail to provide an audit trail which will permit tracing transactions from invoices to the financial statement, to the accounting records, and to the supporting documentation. All county records relevant to the project will be preserved a minimum of three years (3) after the final payment of the contract or final audit, whichever is later, and shall be subject at all reasonable times to inspection, monitoring, copying, and audit by the Board, its designee or representative, and the Bureau of State Audits (Government Code Sections 10525 and 10528).

Criteria

Board of Corrections' Mentally Ill Offender Crime Reduction Grant Policies and Procedures Manual for Counties, revised October 1999, and Government Code Sections 10525 and 10528.

ILLUSTRATIVE AUDITOR'S REPORTS

The following illustrations of audit reports are intended for information purposes to provide general assistance to the auditor. These reports are issued for an unqualified opinion. If the auditor finds it necessary to issue an opinion other than unqualified, reference should be made to the appropriate Statements on Auditing Standards (SAS) as noted below. If the auditor issues an opinion on the county's financial statements as part of a Single Audit, reference should be made to SAS 58 (Reports on Audited Financial Statements) (Appendix A). If the auditor conducts an audit of grant activities and issues an opinion on the Statement of Grant Revenues and Expenditures, then SAS 62 (Special Reports) is to be used as shown in Appendix A-1. In addition to the financial opinion, the auditor must also issue reports on the internal control structure (Appendix B) and on compliance with laws, regulations, and contract requirements (Appendix C), in accordance with SAS 74 (Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance).

APPENDIX A	INDEPENDENT AUDITOR'S REPORT (SINGLE AUDIT)
APPENDIX A-1	INDEPENDENT AUDITOR'S REPORT (SPECIAL REPORT)
APPENDIX B	INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
APPENDIX C	INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, AND CONTRACT REQUIREMENTS

APPENDIX A

(INDEPENDENT AUDITOR'S LETTERHEAD)

Board of Supervisors
Y County
1 000 X Street
Y, CA 12345

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying _____
of Y County for the period _____ through _____. These statements are the
responsibility of the Y County management. Our responsibility is to express an opinion on these financial
statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing
Standards, issued by the Comptroller General of the United States. Those standards require that we plan and
perform the audit to obtain reasonable assurance about whether the financial statements are free of material
misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures
in the financial statements. An audit also includes assessing the accounting principles used and significant
estimates made by management, as well as evaluating the overall financial statement presentation. We
believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the
_____ of Y county for the period _____ through _____
in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a
whole. The supplemental schedules are presented for purposes of additional analysis and are not a required
part of the basic financial statements. Such information has been subjected to the auditing procedures
applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material
respects in relation to the basic financial statements taken as a whole.

AUDITOR'S SIGNATURE: _____

DATE: _____

(INDEPENDENT AUDITOR'S LETTERHEAD)

Board of Supervisors
Y County
1 000 X Street
Y, CA 12345

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Statement of Grant Revenue and Expenditures Statement of Y County in accordance with the State of California's Board of Corrections' Mentally Ill Offender Crime Reduction Grant Contract No. _____ for the period _____ through _____. This statement is the responsibility of the Y County management. Our responsibility is to express an opinion on the Statement of Grant Revenue and Expenditures based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Grant Revenue and Expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement of Grant Revenue and Expenditures was prepared for the purpose of complying with the audit requirements of the State of California's Board of Corrections' Mentally Ill Offender Crime Reduction Grant Contract No. _____ as described in Note 1 and is not intended to be a complete presentation of the County's revenues and expenditures.

In our opinion, the Statement of Grant Revenue and Expenditures referred to above presents fairly, in all material respects, the grant revenues and expenditures of Y County in accordance with the State of California's Board of Corrections' Mentally Ill Offender Crime Reduction Grant Contract No. ____ for the period _____ through _____ in conformity with generally accepted accounting principles. In accordance with Government Auditing Standards, we have also issued a report dated _____ on our consideration of the County's internal controls, and a report dated _____ on the compliance with applicable laws, regulations, and contract requirements.

Our audit was conducted for the purpose of forming an opinion on the Statement of Grant Revenues and Expenditures taken as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the Statement of Grant Revenue and Expenditures. Such information has been subjected to the auditing procedures applied in the audit of the Statement of Grant Revenue and Expenditures and, in our opinion, is fairly stated in all material respects in relation to the Statement of Grant Revenue and Expenditures taken as a whole.

This report is intended for the information and use of the management of Y County and the State of California's Board of Corrections. However, this report is a matter of public record and its distribution is not limited.

AUDITOR'S SIGNATURE: _____ DATE: _____

(INDEPENDENT AUDITOR'S LETTERHEAD)

Board of Supervisors
Y County
1 000 X Street
Y, CA 12345

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the Statement of Grant Revenues and Expenditures (Statement of Y County in accordance with the State of California's Board of Corrections' Mentally Ill Offender Crime Reduction Grant Contract No. _____ for the period through _____, and have issued our report thereon dated _____.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Statement of Grant Revenue and Expenditures is free of material misstatement.

County management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the county's statement of Grant Revenues and Expenditures in accordance with the State of California's Board of Corrections' Mentally Ill Offender Crime Reduction Grant Contract No. _____ for the period _____ through _____, we obtained an understanding of the county's internal controls. This understanding included the design of revenue policies and procedures, and whether they have been placed in operation; furthermore, we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal controls. Accordingly, we do not express such an opinion.

Our consideration of the internal controls would not necessarily disclose all matters that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the County's management and the California Board of Corrections. However, this report is a matter of public record and its distribution is not limited.

AUDITOR'S SIGNATURE: _____

DATE: _____

APPENDIX C

(INDEPENDENT AUDITOR'S LETTERHEAD)

William J. Crout, Deputy Director
Facilities Standards and Operations Division
California Board of Corrections
600 Bercut Drive
Sacramento, CA 95814

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS
AND CONTRACT REQUIREMENTS**

We have audited the Statement of Grant Revenues and Expenditures of Y County in accordance with the State of California's Board of Corrections' Mentally Ill Offender Crime Reduction Grant Contract No. _____ for the period _____ through _____, and have issued our report thereon dated _____.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Grant Revenues and Expenditures is free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the County is the responsibility of Y County's management. As part of obtaining reasonable assurance as to whether the financial statement is free of material misstatement, we performed tests of County compliance with certain provisions of laws, regulations, contract requirements. However, the objective of our audit of the Statement of Grant Revenue and Expenditures was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the County complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County had not complied, in all material respects, with those provisions.

AUDITOR'S SIGNATURE: _____

DATE: _____

ILLUSTRATIVE FINANCIAL STATEMENT AND SCHEDULES

The following illustrations of schedules are intended to provide information and general assistance to the auditor. They represent the minimum financial information which must be included in the audit report. The format and layout of these schedules are optional. However, the information included in the schedules is required. If a schedule is non-applicable, the auditor should indicate this in the audit report. The illustrations that follow are not intended to be all inclusive. The auditor performing the audit should make professional judgments and determinations of any additional information which should be included in the report.

Basic Financial Statement

APPENDIX D - STATEMENT OF GRANT REVENUES AND EXPENDITURES

Supplemental Information

APPENDIX E - SCHEDULE OF MATCHING FUND REQUIREMENTS

APPENDIX F - SCHEDULE OF ELIGIBLE COSTS, BUDGET TO ACTUAL

APPENDIX G - SCHEDULE OF ELIGIBLE PROJECT COSTS

APPENDIX H - SCHEDULE OF DISALLOWED COSTS

APPENDIX I - LEGISLATION

Y COUNTY
MENTALLY ILL OFFENDER CRIME REDUCTION GRANT PROGRAM STATEMENT OF
GRANT REVENUES AND EXPENDITURES

GRANT PERIOD: FROM _____ TO _____

Revenues:

\$ _____
\$ _____
\$ _____
\$ _____

Total Revenues:

\$ _____

Expenditures:

\$ _____
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____

Total Expenditures:

\$ _____

Excess of Revenues over Expenditures:

\$ _____

The accompanying notes are an integral part of this statement

APPENDIX E

COUNTY NAME:_____

**MENTALLY ILL OFFENDER CRIME REDUCTION GRANT PROGRAM SCHEDULE OF
MATCHING FUND REQUIREMENTS**

GRANT PERIOD: FROM_____ **TO**_____

	<u>Budget</u>	<u>Amount</u>	<u>Percent</u>
Y County			
In-Kind Match (List by Category from Contract)	\$_____	\$_____	_____
Cash Match (List by Category from Contract)	\$_____	\$_____	_____
Total Matching Funds (_____)			
State of California Total State Funds	\$_____	\$_____	_____
Total Costs	\$_____	\$_____	<u>100%</u>

COUNTY NAME: _____

MENTALLY ILL OFFENDER CRIME REDUCTION GRANT
SCHEDULE OF ELIGIBLE COSTS
BUDGET TO ACTUAL

GRANT PERIOD: From: _____ To: _____

<u>Budget Line Item</u>	<u>Budget</u>	<u>Expenditures</u>	<u>(Over)/Under</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
TOTAL:	\$ _____	\$ _____	\$ _____

COUNTY NAME_____

MENTALLY ILL OFFENDER CRIME REDUCTION GRANT PROGRAM SCHEDULE OF
ELIGIBLE PROJECT COSTS

GRANT PERIOD: FROM_____ TO_____

Budget Line Item	Costs Claimed for				Total
	State Costs Claimed	Cash Match	In-Kind Match	Other Costs	
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

COUNTY NAME _____

**MENTALLY ILL OFFENDER CRIME REDUCTION GRANT PROGRAM SCHEDULE OF
DISALLOWED COSTS (STATE FUNDS)**

GRANT PERIOD: FROM _____ TO _____

BUDGET LINE ITEM	TOTAL COSTS CLAIMED	COSTS ACCEPTED	RECOMMENDED DISALLOWANCES
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
TOTAL:	\$ _____	\$ _____	\$ _____

Legislation